

NEW YORK TIMES

19 MAY 1976

## Soviet Defense Cost Higher, C.I.A. Says

Special to The New York Times

WASHINGTON, May 8—The Central Intelligence Agency has nearly doubled its estimate of how much the Soviet Economy is devoting to defense as a result of a conclusion that it has been greatly underestimating the cost of Soviet weapons production.

The higher estimate does not reflect any growth in Soviet military strength, but it does provide new hypotheses on the priorities of the Soviet leadership in weighing civilian versus defense expenditures.

The latest C.I.A. estimate, made public by the House Armed Services Committee and Senator William Proxmire, Democrat of Wisconsin, is that 11 to 13 percent of the Soviet gross national product is devoted to defense.

Previously, the C.I.A. had estimated that defense was absorbing 6 to 8 percent of the gross national product, and estimate that Defense Department analysts have said was far too low in comparison, the United States spends about 5.5 percent of its comparably measured gross national product on defense.

In a letter to Senator Proxmire, George Bush, the Director of Central Intelligence, said that the upward revision "does not indicate that the Soviets have any more weapons or

manpower than previously estimated but rather that the cost of these defense programs is greater than we originally had estimated."

The C.I.A. publication, titled "Estimated Soviet Defense Spending in Rubles, 1950-75," noted that the intelligence agency had obtained new information that had led to the conclusion that the Soviet defense industries were less efficient than formerly believed and that the ruble costs of weapons and equipment was higher than previously estimated.

As a result, the study said, "the resource impact of the defense effort on the Soviet economy has been considerably greater than we previously recognized."

"We now realize that the Soviet leaders have been more 'willing' than we thought to forego economic growth and consumer satisfaction in favor of military capabilities," the report said.

At the same time, the study said, "we see no evidence that economic considerations are deterring the Soviets from continuing the present pace and magnitude of their defense effort."

The C.I.A. estimated that Soviet spending for defense programs grew from 40-45 billion rubles in 1970 to 50-55 billion rubles in 1975, as measured in 1970 prices. One ruble is about \$1.30.

Under a broader definition to include the military-operated

space program, the C.I.A. said total defense spending would be 5 billion rubles more.

The new estimates for 1975 are about twice the previous estimates. About 90 percent of the increase, the study said, "is accounted for by our new understanding of Soviet prices and costs."

The study estimated that over the last five years Soviet defense spending in rubles had been growing at an average annual rate of 4 to 5 percent rather than the 3 percent previously estimated. The study said future spending would grow at a more moderate rate as the Soviet Union completes the deployment of a new generation of strategic missiles.

The study observed that the annual growth in the gross national product "is large enough to allow both increases in defense spending and at least slow improvements in living standards."

Furthermore, it said, even the present level of defense investment programs is so high that with modest rates of growth, or even with a constant level of spending, inventories of military equipment would continue to rise.

STAT